

Service Date: March 31, 1995

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the MONTANA)	
POWER COMPANY'S Request for)	UTILITY DIVISION
an Accounting Order to Accrue)	
and Defer Costs Resulting from a)	DOCKET NO. 95.3.6
Workforce Reduction.)	
)	ORDER NO. 5835

Accounting Order

1. The Montana Power Company (Applicant, MPC or Company) is reviewing and changing its organizational/operating structure and as a result is incurring costs and benefits associated with implementing the changes. The Company requests that the Commission issue an Order allowing it to accumulate and defer the costs associated with the implementation of a reduction in its workforce.

2. MPC will incur costs and benefits primarily for employee reductions in the Customer Service and Accounting areas. MPC requests that the Commission allow MPC to accumulate and defer these costs to provide a better match between costs and benefits.

3. MPC understands that if the Commission issues the requested Accounting Order, MPC has the full burden of proof to demonstrate that such costs and benefits are properly included in the revenue requirement determination in subsequent rate proceedings.

4. Absent such an accounting order the costs and benefits would be reflected in income statement accounts as they occur. A mismatch of costs to benefits may occur. MPC's current estimate of the costs associated with this workforce reduction for the areas of division and customer accounting is \$1.9 million. To allow for unforeseen events as MPC implements the workforce reduction, the Commission will add ten percent to that estimate. Thus, MPC under this Accounting Order is authorized to accumulate costs up to \$2.1 million. In approving this Accounting Order, the Commission does so with the understanding that the total benefits of the workforce reduction will exceed the total costs.

5. In addition to producing labor savings, workforce reductions can have adverse effects on customer service. The Commission expects the management of MPC to ensure that customer service is not adversely affected by this workforce reduction.

6. This Accounting Order is to be effective for a period not to exceed two years. Should MPC desire to continue the deferral beyond the two year period, resubmission of the request and an explanation of why further deferral consideration should be granted will be necessary. As other areas of the Company are studied, MPC may identify additional costs associated with further workforce reductions, if that is the case, MPC may request additional Accounting Orders in this Docket.

7. Approval of this Accounting Order is for accounting purposes only. This Order is not to be construed as, nor is it in any way, a directive as to the proper accounting treatment for workforce reduction costs or benefits, or an approval of either the actual

numbers involved, the accounting method used, or the assumptions underlying those numbers. Most importantly, this Order does not imply or direct in any fashion that workforce reduction costs and benefits deferred pursuant to this Order will be at any time reflected in rates.

Conclusions of Law

1. The Montana Power Company is a public utility furnishing electric and natural gas service to consumers in the State of Montana, subject to the supervision, regulation and control of this Commission. Title 69, Chapter 3, MCA, § 69-3-102, MCA.

Order

1. The Commission authorizes Accounting Deferral for costs and benefits resulting from a workforce reduction. Up to \$2.1 million of workforce reduction costs may be accumulated for a period not to exceed two years from the date of this Order.

2. This Order is effective on issuance.

DONE AND DATED at Helena, Montana this 28th day of March, 1995,
by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.